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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

In re Patent Application of: Attorney Docket 3321A  
Inventor: Marc S. Warren  
Application No.: 10/728,488 Confirmation No.: 9743  
Filed: December 5, 2003  
For: Method Of Distribution And Management Of Fractional  
Interests In A Property Or Security  
Examiner: Gregory L. Johnson  
Group Art Unit: 3691

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APPELLANT'S BRIEF

This is an appeal from the final rejection (dated November 12, 2008) of the claims in the above-identified application. A Notice of Appeal was filed on February 11, 2009. The small-entity fee of \$270.00, required for submission of this brief, is submitted herewith. An appendix of claims involved in this appeal is attached hereto.

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**I. REAL PARTY IN INTEREST**

The real party in interest in this Appeal is the inventor Marc S. Warren.

**II. RELATED APPEALS AND INTERFERENCES**

There are no directly related appeals or interferences regarding this application.

**III. STATUS OF CLAIMS**

There are 12 claims in this application.

Claim 8 has been cancelled.

Claims 1-7 and 9-12 are pending in the application.

Claims 1-7 and 9-12 have been finally rejected.

The claims on appeal are claims 1-7 and 9-12.

**IV. STATUS OF AMENDMENTS**

No previous response to the Final Rejection (dated November 12, 2008) has been filed.  
This appeal is the response to the Final Rejection.

A response was filed to the prior Office Action mailed June 23, 2008, the response providing an argument for patentability without amendment of the claims.

A response was filed to the preceding Final Rejection mailed February 20, 2008, the response providing an amendment of the claims along with an argument for patentability.

The wording of the claims in the present appeal is the same as was presented in the response to the Final Rejection of February 20, 2008.

## **V. SUMMARY OF CLAIMED SUBJECT MATTER**

With reference to the present specification and drawing figures, the present invention relates to a method of distribution and management of interests in a property or security among a group of investors (specification on page 3, lines 19-25), including the creation of such interest by separation of at least one right from the totality of rights associated with a property or security, wherein the separation may be for a limited duration of time. The methodology of the invention provides for managing the assets of holders of portions of shares of rights in a property, and is accomplished by various ones of the steps set forth in the claims.

The methodology of the invention is readily appreciated when one considers that the ownership of property, or of certain interests in a property, by a group of investors is a common occurrence (page 1 at lines 9-24). As an example, one may consider ownership of real property, such as a condominium, wherein individual investors, or owners, own their respective apartments to the exclusion of the other owners, while sharing in the ownership of common areas such as hallways and courtyards. As an alternative form of the ownership, several or more owners may own the same apartment at different times during a year, as is accomplished with a time-share arrangement. The picture of the ownership rights in the condominium becomes more complex when an owner rents his apartment to a renter for a limited duration of time, such as a year, in which case the renter enjoys exclusive possession of the apartment for the year (to the exclusion of the owner), which possession reverts back to the owner at the end of the year. Often, the right of ownership or other property right is evidenced by a negotiable instrument such as a stock certificate showing ownership of a certain number of shares in a corporation. Stocks and bonds may be referred to as securities and, accordingly, the use of the term "property" herein is understood to include securities. At times, herein, the description of the invention employs both of the terms "property" and "security" to emphasize that an aspect of the invention applies also to securities.

In the practice of the invention, it is recognized that, initially, here is an acquiring of ownership in a property or a security of a business enterprise (page 3, last two lines to

page 4 at line 8). The ownership is usually evidenced by a share of stock or a bond, in the case of a corporation, or other form of share as in the case of a partnership or other form of enterprise. Each share of stock and each denomination or unit of bond constitutes a set of rights. By way of example, claim 1, as well as claim 12, provide examples of such rights, as set forth in the paragraph following the preamble, namely:

“acquiring shares of ownership in a property represented by a security and issued by a business enterprise, the shares of ownership being acquired by an administrator, wherein each of the shares constitutes a set of rights, wherein an individual one of the rights in the set of rights is a different kind of right from another one of the rights in the set of rights, there being at least two different kinds of rights in the set of rights, said individual right comprising at least one of an equity right, a non-equity right, a right to receive a dividend or portion of the dividend, a right to receive an interest payment or portion thereof, a right to receive rent, a right to real property, a right to a warrant, a right to a stock split, a right to conversion between classes of securities, a residual right, a voting right, a right to receive capital appreciation, and wherein one or more of said rights may have a time limitation;”

The acquiring of the rights would be done, typically, by an underwriter or broker who deals with officers of the enterprise to acquire a large quantity of securities issued by the enterprise, whereupon the underwriter or broker arranges for the sale of the securities to members of the public. Alternatively, the underwriter or broker may acquire the securities in the open market, and then arrange for the sale of the securities to the members of the public.

Prior to the selling of the securities to the public (page 4, lines 9-20), and in accordance with a feature of the invention, the underwriter or broker divides each unit of a security, such as a share of stock or a denomination of bond, into portions, with each of the portions having at least one of the aforementioned rights. For ease of nomenclature,

the portion or fraction of the total rights in the security may be referred to as a fractional right.

By way of example, such division of the rights to a bond may be accomplished by stripping off coupons from the bond. By way of further example, such division of the rights to a share of stock may be accomplished by deletion of the right to receive a dividend, whether or not the corporation is presently considering the payment of a dividend now or only at a future time, and offering for sale the right to receive such dividends as may be declared within a period of time such as during the next five years.

It is recognized that some securities are created initially in a form wherein the instrument representing the security is formed in two parts. For example, a bond may be created with detachable coupons, of which each coupon represents a payment of money at a certain date to the holder of the coupon. As a further example, a stock certificate may be created with a detachable portion, known as a warrant, which gives the bearer of the warrant the right to purchase an additional amount of stock at a specific price. In financial markets, there are times when such coupons and warrants have been separated (or stripped off) from the base instrument (bond or stock certificate) and sold separately in a market populated by persons interested in trading in the coupons or the warrants.

The conduct of a public market in bond coupons or stock warrants is readily accomplished because the stripped-off right is created at the same time as the bond or the stock certificate.

However, the present invention deals with the administration of markets in fractional rights that are not designated at the time of the initial offering of a security to the public.

The foregoing discussion provides examples of such fractional rights. Consider the situation of a person who buys a fractional right, such as a share of stock for which the right to receive a dividend has been stripped-off and sold to another person. If this occurs in the early stages of a business, most likely there will be no dividend for a number of years until the business becomes successful. In order to manage such a market,

there needs to be provided an administrator who will create the fractional right, monitor the market, and give the holder (or a successor holder) of the stripped-off dividend-right his dividend when and if the business starts to issue a dividend.

An important feature of the present invention, as set forth in the appealed claims, is the provision of such an administrator, and the designation of the tasks to be performed by the administrator. It is noted that the administrator appears in both of the independent claims 1 and 12.

### SUPPORT FOR CLAIMED SUBJECT MATTER

Support for the subject matter of the invention, as set forth in specific ones of the claims of this appeal, is presented in the following listing of the claims with references to descriptive passages in the specification and to the drawing figures, as follows:

1. (Rejected) A method for managing (page 3, line 20) the assets of holders of rights in a property, comprising the steps of:

acquiring shares of ownership in a property (Fig. 1, item 10; page 9, lines 2-10) represented by a security and issued by a business enterprise, the shares of ownership (page 8, last line) being acquired by an administrator (Fig. 1 at item 14), wherein each of the shares constitutes a set of rights, wherein an individual one of the rights in the set of rights is a different kind of right from another one of the rights in the set of rights, there being at least two different kinds of rights in the set of rights, said individual right comprising at least one of an equity right (page, line 20), a non-equity right, a right to receive a dividend or portion (page 3, line 6; page 11, line 23) of the dividend, a right to receive an interest payment (page 2, line 15) or portion thereof, a right to receive rent (page 1, line 16), a right to real property (page 1, lines 10-11), a right to a warrant, a right to a stock split (page 10, line 4), a right to conversion between classes of securities, a residual right (page 8, line 21), a voting right (page 2, lines 3-10), a right to receive capital appreciation (page 6, line 28), and wherein one or more of said rights may have a time limitation (page 10, line 17);

dividing the set of rights (Fig. 1 at item 26, page 9, line 15) into portions by the administrator, each of the portions having at least one of the rights, wherein a kind of right that is present in a first of the portions is absent in a second of the portions; and

establishing a market (Fig. 1 at item 34; page 9, lines 1 and 22) in the portions by the administrator, wherein in said market, there is a selling of the portions to investors and a repurchasing of the portions from the investors, said repurchasing enabling a holder of one of said portions to regain a divided-out right from one of said investors.

2. (Rejected) A method according to claim 1, wherein in said dividing step, at least one of the portions is an equity portion (page 12, lines 6 and 11) with an equity right and at least another one of the portions is a non-equity portion with a non-equity right (page 12, line 19) that is stripped off from an equity portion, and wherein said repurchasing enables a holder of an equity portion to regain (page 12, line 14) a non-equity right from one of said investors.

3. (Rejected) A method according to claim 2, wherein said dividing step includes a step of designating a limited duration (page 12, line 5) of time of a fractional right (Fig. 1 at item 28) in one of said portions.

4. (Rejected) A method according to claim 3 wherein said limited duration of time of a fractional right (page 12, line 19) is in a non-equity portion.

5. (Rejected) A method according to claim 4 wherein the holder of the equity portion regains the non-equity right after expiry (page 12, line 14) of said limited duration of time.

6. (Rejected) A method according to claim 1, wherein said dividing step includes a step of designating a limited duration (page 10, line 18) of time of a fractional right (Fig. 1 at item 28) in one of said portions.

7. (Rejected) A method according to claim 6 wherein the holder of said one portion regains (page 10, lines 25-26) the divided-out right after expiry of said limited duration of time.

8. (Cancelled)

9. (Rejected) A method according to claim 1, wherein the administrator accomplishes a further step of disbursing dividends (page 10, lines 1-7) from the property to such ones of the investors who have rights to receive a dividend.

10. (Rejected) A method according to claim 1, wherein the administrator accomplishes a further step of transmitting votes (Fig. 1 at item 50; page 10, lines 7-11) to a management of the property from such ones of the investors who have rights to vote on matters relating to management of the property.

11. (Rejected) A method according to claim 1, wherein each of said portions constitutes a fractional right (page 9, line 19) of the set of rights in a share of ownership in the property, said dividing step includes a step of designating a limited duration (page 12, line 5) of time of the fractional rights in said portions sold to investors (Fig. 1 at item 20) by the administrator, and said repurchasing step enables one of said investors, who is a holder of said one portion, to regain (page 10, lines 25-26) fractional rights from a plurality of said portions sold to other ones of said investors, thereby to obtain complete rights to the share of ownership of said holder.

12 (Rejected) A method for managing (page 3, line 20) the assets of holders of rights in a property, comprising the steps of:

acquiring shares of ownership in a property represented by a security and issued by a business enterprise, the shares of ownership being acquired by an administrator (Fig. 1 at item 14), wherein each of the shares constitutes a set of rights, wherein an individual one of the rights in the set of rights is a different kind of right from another one of the rights in the set of rights, there being at least two different kinds of rights in the set of



rights, said individual right comprising at least one of an equity right (page 4, line 20), a non-equity right, a right to receive a dividend or portion (page 3, line 6; page 11, line 23) of the dividend, a right to receive an interest payment (page 2, line 15) or portion thereof, a right to receive rent (page 1, line 16), a right to real property (page 1, lines 10-11), a right to a warrant, a right to a stock split (page 10, line 4), a right to conversion between classes of securities, a residual right (page 8, line 21), a voting right (page 2, lines 3-10), and a right to receive capital appreciation (page 6, line 28);

dividing the set of rights ((Fig. 1 at item 26, page 9, line 15) into portions by the administrator, each of the portions having at least one of the rights, wherein a kind of right that is present in a first of the portions is absent in a second of the portions; and

establishing a market (Fig. 1 at item 34; page 9, lines 1 and 22) in the portions by the administrator, wherein in said market, there is a selling of the portions to investors and a repurchasing of the portions from the investors.

## **VI. GROUNDS OF REJECTION TO BE REVIEWED ON APPEAL**

The following grounds of rejection are treated in this appeal.

1. Whether claims 1-7 and 9-12 should be rejected under 35 U.S.C. 101 because of non-statutory subject matter for reasons set forth in the Action, and wherein the rejections of the claims 2-7 and 9-11 are due to their dependency from claim 1.

2. Whether claims 1-4 and 12 should be rejected under 35 U.S.C. 103 as being unpatentable over Wohlstadter (US 2002/0198833) in view of Chaganti (US 2005/0080705), Brisbois (US 2004/0267647), Tripp (US 2007/0027787), and Barron's Dictionary of Finance and Investment Terms (Barron) for reasons set forth in the Action.

3. Whether Claims 5-7 and 11 should be rejected under 35 U.S.C. 103 as being unpatentable over Wohlstadter in view of Chaganti, Brisbois, Tripp, and Barron in view of Sugahara (US 7,310,616) for reasons set forth in the Office Action.

4. Whether Claim 9 should be rejected under 35 U.S.C. 103 as being unpatentable over Wohlstadter in view of Chaganti, Brisbois, Tripp, Barron, and Earle (US 5,262,942) for reasons set forth in the Office Action.

5. Whether claim 10 should be rejected under 35 U.S.C. 103 as being unpatentable over Wohlstadter in view of Chaganti, Brisbois, Tripp, Barron, and Wallman (US 6,601,044) for reasons set forth in the Office Action.

## **VII. ARGUMENT**

In the Office Action of November 12, 2008, claims 1-7 and 9-12 were rejected under 35 U.S.C. 101 because of non-statutory subject matter for reasons set forth in the Action, and wherein the rejections of the claims 2-7 and 9-11 are due to their dependency from claim 1.

Claims 1-4 and 12 were rejected under 35 U.S.C. 103 as being unpatentable over Wohlstadter (US 2002/0198833) in view of Chaganti (US 2005/0080705), Brisbois (US 2004/0267647), Tripp (US 2007/0027787), and Barron's Dictionary of Finance and Investment Terms (Barron) for reasons set forth in the Action. Claims 5-7 and 11 were rejected under 35 U.S.C. 103 as being unpatentable over the art applied against claim 1, and further in view of Sugahara (US 7,310,616) for reasons set forth in the Office Action.

Claim 9 was rejected under 35 U.S.C. 103 as being unpatentable over the art applied against claim 1, and further in view of Earle (US 5,262,942), and claim 10 was rejected under 35 U.S.C. 103 as being unpatentable over the art applied against claim 1, and further in view of Wallman (US 6,601,044) for reasons set forth in the Office Action.

The following argument is presented to overcome the grounds of rejection raised by the examiner, and to show the presence of allowable subject matter in the claims.

**FIRST GROUND OF REJECTION: WHETHER CLAIMS 1-7 AND 9-12 SHOULD BE REJECTED UNDER 35 U.S.C. 101 AS BEING UNPATENTABLE BECAUSE OF NON-STATUTORY SUBJECT MATTER FOR REASONS SET FORTH IN THE ACTION.**

The examiner notes (end of Point 4 of the Action) that the rejections of the claims 2-7 and 9-11 are due to their dependency from claim 1. Thus, overcoming the rejection under 35 U.S.C. 101 with respect to claim 1 automatically overcomes the rejection of claims 2-7 and 9-11. Accordingly, it is necessary to argue the 35 U.S.C. 101 rejection only for claims 1 and 12.

It is noted that this ground of rejection first appeared in the third Office Action, mailed June 23, 2008. The prior two Actions did not raise this ground of rejection. Two interviews were conducted with the examiner. One interview was on February 6, 2008 for distinguishing the claimed subject matter from Wallman; the second interview was on September 5, 2008 in an attempt to overcome the rejection under 35 U.S.C. 101.

The following argument, presented to overcome the rejection under 35 U.S.C. 101, is adapted from the argument filed in the response to the Office Action of June 23, 2008.

It is noted that the appealed claims are not directed to theoretical mathematical concepts, but include subject matter relating to real objects, such as real property, and the establishing of a market by the administrator.

The statute makes reference to a "useful process, machine, manufacture or composition of matter." Independent claims 1 and 12 are similar. For purposes of analysis of the applicability of the statute to the claims, claim 1 may be presented as an example.

Claim 1 (in simplified format) begins by stating a method for managing the assets of holders of rights in a property, and recites the steps of: (1) acquiring shares of ownership in a property represented by a security, wherein each of the shares constitutes a set of rights; (2) dividing the set of rights into portions; and (3) establishing a market in the portions. Each of these steps is performed by an administrator.

With respect to the statute, this claim is in the category of a process, which deals with a security, and wherein the three steps result in the establishment of a market. The market is a special type of market having a specific utility, namely, dealing with portions of a set of rights. The claim includes wording that describes each of the shares of ownership as constituting a set of rights, and explains that a set of the rights is composed of a plurality of different kinds of rights. Upon division of the set of rights into portions, the rights found in one of the portions differs from the rights found in another of the portions. To quote the claim, “an individual one of the rights in the set of rights is a different kind of right from another one of the rights in the set of rights.” The market established by the claim enables investors to buy and sell the portions of the set of rights as distinguished from the usual stock market wherein investors deal with integral and non-integral amounts of complete shares of a security. A complete share of a security embodies a complete set of rights; whereas a portion of the set of rights does not have all of the rights. Furthermore, the claim provides numerous examples of the rights.

The foregoing analysis shows that the claim deals with real subject matter, as distinguished from theoretical mathematical statements, such as Einstein’s equation for relativity. The numerous subjects of the rights, as set forth in the claim (a right to receive a dividend, a right to real property, by way of example) are the substance of pension plans and, thus are very real in the lives of those who benefit from the pension plans. The claimed method has utility, as is readily appreciated by the fact that millions of people are involved in the activities of the major stock markets throughout the world on a daily basis.

By way of example in explaining the foregoing distinction between the market established in the claim and the usual form of stock market, one may consider a grocery

store selling bread. In a store selling the bread in the traditional manner, a customer may buy one or more complete loaves of bread (an integral number of loaves), or slices of the bread, or half of a loaf (non-integral number of loaves). Each of the slices is complete in the sense that it includes the soft center portion, the encircling outer crust and the complete set of vitamins and minerals listed in the ingredients set forth in a labeling of the bread.

In contrast, in a store selling the bread in a non-traditional fashion, corresponding to the mode of selling securities as set forth in the foregoing claim, a customer could request the storekeeper to peel off the outer crust, and sell the customer the soft interior of the loaf of bread. Some other customer, who enjoys biting into the crust, would purchase crust that has been peeled off the loaf. Thus, in the non-traditional store, a customer could buy much bread or little bread and receive only the soft interior or receive only the hard crust. Later on, upon returning home, family members might complain that they want to eat a complete serving of bread, in which case the customer could trade with another customer, or with the storekeeper, to obtain the missing part of the bread.

While the foregoing example might be an extreme case, a more usual situation is found in a store selling fresh meat, wherein one might buy a side of beef with the bone or without the bone. Buying the beef without the bone is analogous to buying a fractional right (as the term is used in the present invention) of a security. If bought without the bone, another customer may buy some of the bone for making soup stock. This is the analogy with the investor who buys and sells complete shares of stock, each of which has a complete set of rights, as compared to the investor of the foregoing claim, who might buy fractional rights in a security in the sense that he receives only a portion of the rights (for example, a voting right without a dividend right) associated with a share of the security.

However, it must be understood that the foregoing analogy does not paint a complete picture of the claimed subject matter. For example, if the storekeeper does his own baking and has a farm where he raises his own cattle, then there is no step analogous

to the claimed step of acquiring the security. For a complete analogy with the claimed subject matter, the storekeeper would have to buy the bread and buy the meat from a wholesaler and then break down the bread and the meat, the analogue of the claimed “dividing the set of rights into portions”, to obtain the crust and the center part of the bread, and the flesh and the bones of the side of beef.

As a further analogy, one might consider the operation of a junk yard dealing with automobiles that are no longer good to drive. The junk yard acquires the automobiles by purchases from owners of the automobiles. A customer of the junk yard may request a gear from a transmission, or a piston from an engine, and the junk-yard dealer will disassemble one of the cars to provide the desired part.

The foregoing analogies between the claimed invention in the processing of securities and the processing of consumer products is presented in order to facilitate an understanding of the invention, and an appreciation of the different steps set forth in the claims. This is believed to be useful in the argument for overcoming the rejection of non-statutory subject matter under 35 U.S.C. 101, and a further argument (to be presented below) for overcoming the rejections of obviousness under 35 U.S.C. 103.

Further, with respect to a presenting of statutory subject matter in the claims, it is believed to be useful to show that the type of subject matter disclosed in the present claims has been found to be statutory in previously issued United States patents. Furthermore, with respect to the manner of claim drafting in such patents, in some of the patents, the mode of description of steps (and apparatus) in the claims corresponds with the mode of description employed in the drafting of the present claims. Four of such patents are described below to demonstrate that the nature of the present subject matter is statutory, and that the manner of presenting the subject matter in the present claims avoids the theoretical mathematical formulations of relativity and other branches of physics. The following patents are presented, namely, Sugahara (US 7310616), Musmanno (US 5826243), Deavers (US 6044352), and Stallaert (US 6035287). The Sugahara patent was cited by the examiner in the prosecution of this application.

Musmanno, Danvers, and Stallaert were listed on the front pages of the patents (as noted below) as art considered in the examinations of these patents.

(1) Sugahara (US 7310616), cited in the present prosecution, presents a type of subject matter that is similar to the type of subject matter set forth in present claim 1 (in redacted form):

A method for structuring a transaction carried out among a first party, a second party and a third party, comprising:

arranging a first agreement between the first party and the second party - -

obligates the first party to sell a security - -

obligates the second party - - in lieu of a dividend - -

requires a first periodic marking - -

obligates the first party to unwind the sale - - followed by an arranging of a second agreement between the second party and the third party.

(2) Musmanno (US 5826243), cited in the prosecution of the Sugahara patent, presents a type of subject matter that is similar to the type of subject matter set forth in present claim 1 (in redacted form):

A data processing system for managing a plurality of accounts, wherein each account includes a master account held by a first individual - - comprising:

account input means for receiving account transactions from said individual - - and asset transfers - -

account processing means for creating and controlling one or more subaccounts - - profile of account transactions - - and

account reporting means for creating, displaying or outputting reports - -.

(3) Deavers (US 6044352), cited in the prosecution of the Wallman patent which was cited in the present prosecution, presents a type of subject matter that is similar to the type of subject matter set forth in present claim 1 (in redacted form):

A method of operating a computer system for providing health insurance - - comprising:

entering into a computer a plurality of accounts, one for each participant - -

opening a custodian account - -

engaging a mutual fund to hold - -

periodically crediting in said computer each of said accounts with its proportional share of the money income - -

establishing an insurance policy for beneficiaries - -.

(4) Stallaert (US 6035287), cited in the prosecution of the Wallman patent, presents a type of subject matter that is similar to the type of subject matter set forth in present claim 1 (in redacted form):

In a data processing system, a method of asset trading comprising:

entering a plurality of bundled trades;

matching trades among said plurality of bundled trades, wherein each of said plurality of bundled trades includes a bundle size value - -

allocating a set of said plurality of assets - -, said step of matching trades comprising:

selecting a set of numerical values, wherein said set of numerical values has a same number of members as a number of said plurality of entered bundled trades - -



multiplying each proportion of asset to be traded by one of each numerical value - -.

It is urged that, upon inspection of the foregoing four examples of subject matter claimed in United States patents, the subject of financial transactions is a recognized area of subject matter which falls within the ambit of 35 U.S.C. 101 and, accordingly, the claimed subject matter of the present patent application is believed to meet the statutory requirements of 35 U.S.C. 101.

In the Final Rejection of November 12, 2008, with respect to the 35 U.S.C. 101 rejection, the examiner said that the Applicant's argument was not persuasive in view of four Supreme Court cases (also cited in the previous Office Action): *Diamond v. Diehr* (1981), *Parker v. Flook* (1978), *Gottschalk v. Benson* (1972), and *Cochrane v. Deener* (1876). The examiner stated that a process must be tied to another statutory class or transform underlying subject matter to a different state or thing, and that this requirement is not met by the present claims.

The examiner also stated that the four patents cited by the Applicant were issued under statutory requirements that differ from the requirements of the four cases cited by the examiner (page 3 of the Action), and that the statutory requirements set forth in the four cases cited by the examiner apply to patent applications currently being prosecuted, including the instant application.

This opinion of the examiner is traversed respectfully. The earliest filing date of the four exemplary patents, cited by Applicant, is January 3, 1994. With respect to the four US Supreme Court cases cited by the examiner, the examiner has provided the respective dates of the cases, of which the most recent is the year 1981, over twenty years prior to the earliest of the filing dates of the four patents cited by the Applicant. As noted by the examiner, above, the statutory requirements set forth in the four cases cited by the examiner apply to patent applications currently being prosecuted, including the instant application. Therefore, it is presumed that these statutory requirements were followed in the prosecution of the four patents cited by the Applicant.

However, setting aside the question of the prosecution of the four patents cited by the Applicant, it is deemed to be more significant to consider what question was being answered by the courts in cases such as *Diamond v. Diehr*, *Parker v. Flook*, and *Gottschalk v. Benson*. These cases were dealing with the metes and bounds of what may be claimed in the subject of computer programs. A pure computer program is a listing of actions to be taken by a computer, and is much like a mathematical algorithm or formulation. As such it is non-statutory subject matter for a claim. However, by introducing physical objects that are controlled by the computer, under instruction of the program, to perform a useful function, one attains statutory subject matter. In Point 4 of the Action, the examiner notes that, to qualify as a statutory process, the claim should identify apparatus that performs the method steps.

Present claims 1 and 12 do not recite a computer, nor a computer program, nor an algorithm, nor a mathematical equation. Thus, the subject matter addressed by the cases, cited by the examiner, does not pertain to the present claims, and their teachings do not apply to the matter of determining if the presently claimed subject matter is statutory. The same observation applies to the claims of the four patents cited by the Applicant, namely, that they do not involve algorithms or programs, and therefore their subject matter is statutory independently of the teachings of the cases cited by the examiner. Since the type of subject matter presented in the patents cited by the Applicant is similar to the type of subject matter appearing in the present claims, it is urged that the present claims meet the requirement of 35 U.S.C. 101, and that this argument overcomes the grounds of rejection under 35 U.S.C. 101.

## **CONSIDERATIONS OF BILSKI**

Some of the reasoning employed by the examiner appears to be in accord with the reasoning of the *Bilski* case (“*Bilski*”) decided on October 30, 2008 by the United States Court of Appeals for the Federal Circuit. *Bilski* is not mentioned by name in the Final Rejection, possibly because the court decision occurred at approximately the same time as the preparation of the Final Rejection. Further argument is presented now to show that the present claims meet the standards set forth in *Bilski*.

Some of the teachings in Bilski are as follows: On page 10 of the decision, it is taught that a claimed process is patent-eligible if tied to a particular machine or apparatus, or if the claimed process transforms a particular article into a different state or thing. In the latter case (as noted by the PTO Board of Appeals on page 4 of the decision), a particular machine is not required. With respect to a principle of nature, on page 26 of the decision, it is stated that, so long as the claimed process is limited to a practical application of a fundamental principle to transform specific data, and the claim is limited to a visual depiction that represents specific physical objects or substances, there is no danger that the scope of the claim would pre-empt all uses of the principle.

With reference to claim 1, beginning at line 3, the paragraph describes shares of ownership in a property. Each share is said to constitute a set of rights. An individual right comprises at least one of an equity right, a non-equity right, a right to receive a dividend or portion of the dividend, a right to receive an interest payment or portion thereof, a right to receive rent, a right to real property, a right to a warrant, a right to a stock split, a right to conversion between classes of securities, a residual right, a voting right, a right to receive capital appreciation, and wherein one or more of said rights may have a time limitation. The examples set forth in the claim are specific, and sufficiently detailed so that there is no danger that the scope of the claim would pre-empt all uses of any underlying principle in the practice of the claimed subject matter.

Also (next paragraph of the claim), the claimed process transforms a particular article into a different state or thing. In this case, the particular article is a set of rights that is divided into portions, wherein each of the portions has at least one of the rights. The portions are distinguishable from each other in that a kind of right that is present in a first of the portions is absent in a second of the portions.

As may be seen by inspection of the claim, no apparatus, such as a computer, is required to transform a particular article into a different state or thing. Since no such apparatus is required, there is conformance of the claim with this part of the decision (relating to a statement by the PTO appellate board).

It is useful to consider patent-eligible subject matter, in a process, that can be performed without auxiliary apparatus, in order to appreciate claim 1. As an example one might consider the weaving of a basket or a man's hat from moistened straw, wherein the process is accomplished by hand. The novel feature may be the doubling up of straw segments at certain locations, or the bending of a straw at a specific location, by way of example.

In the appealed claims, the transformation involves shares of ownership in a property represented by a security, rather than straw. Also, the above-described analogies with a bakery and a meat market also apply. The only question is whether a security can be regarded as an article, for the purposes of 35 U.S.C. 101, as can straw. It appears that, today, mortgage-backed securities, derivatives and stocks play a much greater role in peoples' pension plans, and are far more accessible, than the straw need to weave a hat. With respect to the foregoing examples of rights, the right to receive rent, as exemplified by a lease on an apartment, if defective, might result in a person being ejected from his apartment leaving him to sleep on the street, out under the stars. This is the same result that is obtained when a strong wind blows the roof off a house. In other words, there seems to be no legitimate reason for giving straw preferential treatment for patentable subject matter over a security, particularly when the security represents rights in real property such as land or a house standing on the land.

In view of the foregoing analogies, it is urged that the present claims meet the requirement of 35 U.S.C. 101, and that this argument overcomes the grounds of rejection under 35 U.S.C. 101.

**SECOND GROUND OF REJECTION: WHETHER CLAIMS 1-4 AND 12 SHOULD REJECTED UNDER 35 U.S.C. 103 AS BEING UNPATENTABLE OVER WOHLSTADTER (US 2002/0198833) IN VIEW OF CHAGANTI (US 2005/0080705), BRISBOIS (US 2004/0267647), TRIPP (US 2007/0027787), AND BARRON'S DICTIONARY OF FINANCE AND INVESTMENT TERMS (BARRON) FOR REASONS SET FORTH IN THE ACTION.**

Each of the foregoing references was cited to teach one or more aspects of the claimed subject matter. But no one reference taught or suggested all of the claimed subject matter. Particular attention is directed to the citation of Tripp who establishes a form of security in which an accrued interest in the form of an accrual right is stripped off to be sold separately. This was cited to demonstrate the claimed division of the set of rights, and was cited also to demonstrate the claimed establishment of a market. But there is no suggestion in the activity of Tripp to go out and buy his special form of security (analogous to the presently claimed step of acquiring shares of ownership), especially since the Tripp security is specially made and not available elsewhere. The examiner attempts to combine these teachings of Tripp with Wohlstadter who is said to teach the acquiring of shares. But this would be inconsistent with the teaching of Tripp because he makes a special type of security that is not available elsewhere, and therefore could not be acquired elsewhere.

There follows a listing of the art cited by the examiner, the listing discussing the basic teaching of each reference and the reason the reference was cited. For convenience, all of the cited art, namely, the art cited in the Second Ground of Rejection, as well as the art cited in the Third through the Fifth Grounds of Rejection, are presented in this listing of the cited art. Collectively, the lessons of the cited references appear to be more like a book on financial engineering that presents various building blocks, but that would not suggest to a financial engineer the building and practice of the present invention as set forth in the present claims. The cited art is as follows:

Wohlstadter provides an economic benefit to the entity that issues stock wherever the stock is traded among third parties on a stock exchange. Wohlstadter serves as the main reference, and is cited in an effort to show most of the claim limitations, such as: managing assets, acquiring shares constituting a set of rights, different kinds of rights, the dividing the set of rights into portions, that a kind of right present in one portion is absent in a second portion, and establishment of a market.

Chaganti teaches use of electronic apparatus to issue and to trade property interest in intangible forms of property such as patents, trademarks, copyrights, and goodwill, as

well as a right of future income of a person, with determination of a price of the share, listing the share, and selling the share. This reference is cited to teach a limitation of time.

Brisbois provides a bond backed by life insurance policies as a security to be traded. This reference is cited, with respect to the claimed passage of acquiring shares of ownership in a property represented by a security - - by an administrator, to teach that a bond issuer gets a commitment from an underwriter to purchase shares in a life settlement bond issue.

Tripp teaches the development of an asset-backed fixed-income security to function as a master real currency unit with a constant value. Fig. 10ay presents commencement of a global exchange, and Fig. 10bc discloses a backing of global real currency with RPO (real principal only, without interest) strips. This reference is cited, with respect to the claimed passage of dividing the set of rights into portions by the administrator, to teach a security in which an accrued interest in the form of accrual rights is stripped off (said to be analogous to dividing out rights) from a certificate (said to be analogous to a financial instrument). This reference is cited further, with respect to the claimed passage of establishing a market in the portions by the administrator, to teach the creation of a market where the accrual rights are sold.

Barron is a dictionary providing definitions of technical financial terms, cited for a teaching of a share repurchase plan and a stock buyback process.

Sugahara structures a transaction between a party who is in a “long” position and a party who has a “short” position on a security, and wherein, as noted by the examiner (col. 4 at lines 13-16) there is an obligation to repurchase a security. This reference is cited to teach the limitation of a repurchasing, wherein the actual teaching is directed to an obligating of a first party to repurchase a security from a second party.

Earle teaches a financial transaction network for mutual fund portfolios in different currencies, in conjunction with a host computer. This reference is cited for the teaching of a transfer agent, with respect to the disbursing of dividends.

Wallman creates a portfolio of assets, with execution of trades to modify the portfolio, considering even fractional shares (col. 11 at line 42), by an individual investor. This reference is cited, with respect to the transmitting of votes, for the teaching of a computer based system making adjustments to a portfolio.

In general, it appears that the foregoing references serve the purpose of showing that various elements of the claims are known in the financial field of art. But there does not appear to be any teaching in any one of the references that teaches or even suggests the presently claimed subject matter. There is no overriding theme in any of the references to show the general concept of the presently claimed invention, and therefore, there can be no motivation to combine the references.

With respect to the citation of the primary reference, Wohlstadter paragraph [0044] teaches that a share constitutes a set of rights (full or partial ownership). But Wohlstadter does not teach the combination of three basic elements of the subject matter of claim 1, wherein claim 1 teaches: – (1) acquiring shares of ownership in a property, wherein each of the shares constitutes a set of rights, – followed by a recitation of – (2) dividing the set of rights into portions, each of the portions having at least one of the rights, wherein a kind of right that is present in a first of the portions is absent in a second of the portions, – followed by yet a further recitation of – (3) establishing a market in the portions.

With respect to the first element, the Wohlstadter passage [0044] teaches the giving of a benefit to the entity that issued the security being traded, that the benefit could be full or partial ownership rights and, by way of example, mentions voting rights. Similar terminology appears in [0095]. Other benefits could be a fee, or an amount based on the spread between the ask price and the bid price [0042] by way of further example. Thus, Wohlstadter acknowledges that a share of a security can be composed of a plurality of rights, and that one might choose one or more of the plurality of rights to serve as the benefit.

With respect to the second element, the examiner had stated that the division of the set of rights into portions, is taught by Wohlstadter in [0041] as well as in the above-

noted [0044 and 0095]. The passage [0041] gives examples of a security constituting a voting right or a bond, by way of example. There is no teaching in [0041] of a division of a set of rights embodied in a security. Also, in [0041 and 0095] division is understood only by implication since there are examples given of a transfer of all ownership rights or partial ownership rights in a security.

With respect to the third element, the examiner had stated that the establishment of a market in the divided-out portions, is taught by Wohlstadter [0008-0012]. This position of the examiner is traversed because it is believed that the teaching of Wohlstadter is the establishment, by an intermediary, of a transaction with a security, possibly in an “exchange”, wherein the terms are broadly defined.

There is no mention, suggestion, or teaching by Wohlstadter of the division of the set of rights embodied in a security into one or more of the rights, representing a fraction or portion of the rights embodied by the security, followed by the establishment of a market in the “fractional rights” (a term used in the present specification). With respect to the fractional rights, the only suggestion of Wohlstadter is that partial ownership rights in a security (such as a share of stock) can be extracted from one or more participants in a transaction of the security, and given over as a benefit to the entity that originally issued the security. Indeed, it is the basic teaching of the first sixty paragraphs of Wohlstadter that there is need to provide some form of benefit to the entity that originally issued the security because it appears to be unfair that the rest of the world makes money on every transaction involving the security, but that no benefit is received by the issuing entity. Among the numerous examples of possible benefits to the issuing entity, Wohlstadter mentions partial ownership rights in a security [0044]. He even mentions a right to buy other securities [0042] as an example of a benefit. However, it is not the intent of Wohlstadter nor the teaching of Wohlstadter to divide out ownership rights with the intent of establishing a market in the divided-out rights. The Wohlstadter theme of extraction of a benefit from a participant in a securities transaction is found also in the following thirty paragraphs [0061-0090]. It is emphasized that there is no suggestion of conducting a market in the benefit.



The examiner combines Wohlstadter with Chaganti who teaches the use of electronic apparatus to issue and to trade property interest in intangible forms of property such as patents, trademarks, copyrights, and goodwill, as well as a right of future income of a person, with determination of a price of the share, listing the share, and selling the share. The examiner employs the teachings of Chaganti to teach a limitation of time, which limitation is present in claim 1 but is absent in independent claim 12. However, the combination of Wohlstadter with Chaganti does not suggest, or motivate one to practice the claimed subject matter (claims 1 and 12) of: acquiring shares constituting a set of rights, – followed by a dividing of the set of rights into portions, each of the portions having at least one of the rights, wherein a kind of right that is present in a first of the portions is absent in a second of the portions, – followed by yet a further recitation of – (3) establishing a market in the portions.

Brisbois provides a bond backed by life insurance policies as a security to be traded. This reference is cited, with respect to the claimed passage of acquiring shares of ownership in a property represented by a security - - by an administrator, to teach that a bond issuer gets a commitment from an underwriter to purchase shares in a life settlement bond issue.

Tripp teaches the development of a asset-backed fixed-income security to function as a master real currency unit with a constant value. Fig. 10ay presents commencement of a global exchange, and Fig. 10bc discloses a backing of global real currency with RPO (real principal only, without interest) strips. This reference is cited, with respect to the claimed passage of dividing the set of rights into portions by the administrator, to teach a security in which an accrued interest in the form of accrual rights is stripped off (said to be analogous to dividing out rights) from a certificate (said to be analogous to a financial instrument). This reference is cited further, with respect to the claimed passage of establishing a market in the portions by the administrator, to teach the creation of a market where the accrual rights are sold.

Barron is a dictionary providing definitions of technical financial terms, cited for a teaching of a share repurchase plan and a stock buyback process.

This analysis emphasizes the point, stated above, that the art shows that the various parts of the claimed subject matter can be constructed or practiced in accordance with prior-art knowledge. But there is no reference showing or suggesting the overall process, or anything like the process, as set forth in claim 1 and any of its depending claims, and as set forth in claim 12 (claim 12 differs from claim 1 in respect to the final paragraph).

**THIRD GROUND OF REJECTION: WHETHER CLAIMS 5-7 AND 11 SHOULD BE REJECTED UNDER 35 U.S.C. 103 AS BEING UNPATENTABLE OVER WOHLSTADTER IN VIEW OF CHAGANTI, BRISBOIS, TRIPP, AND BARRON IN VIEW OF SUGAHARA (US 7,310,616) FOR REASONS SET FORTH IN THE OFFICE ACTION.**

Sugahara is employed, in addition to the previously discussed references for claim 1, to teach the feature of a repurchasing of a desired number of shares of stock. It appears that this reference may apply to claims 5 and 7, but not to claim 6 because claim 6 does not recite the repurchasing feature. The fact that Sugahara can provide for a repurchasing feature does not show how such a feature would be incorporated advantageously in claim 1 in combination with the teachings of all of the other cited references. Thus, there is no motivation to combine the references.

**FOURTH GROUND OF REJECTION: WHETHER CLAIM 9 SHOULD BE REJECTED UNDER 35 U.S.C. 103 AS BEING UNPATENTABLE OVER WOHLSTADTER IN VIEW OF CHAGANTI, BRISBOIS, TRIPP, BARRON, AND EARLE (US 5,262,942) FOR REASONS SET FORTH IN THE OFFICE ACTION.**

Earle is employed, in addition to the previously discussed references for claim 1, to teach the feature of a disbursing of dividends. The fact that Earle can provide for a feature of disbursing dividends does not show how such a feature would be incorporated

advantageously in claim 1 in combination with the teachings of all of the other cited references. Thus, there is no motivation to combine the references.

**FIFTH GROUND OF REJECTION: WHETHER CLAIM 10 SHOULD BE REJECTED UNDER 35 U.S.C. 103 AS BEING UNPATENTABLE OVER WOHLSTADTER IN VIEW OF CHAGANTI, BRISBOIS, TRIPP, BARRON, AND WALLMAN (US 6,601,044) FOR REASONS SET FORTH IN THE OFFICE ACTION.**

Wallman is employed, in addition to the previously discussed references for claim 1, to teach the feature of passing through voting rights of the securities. The fact that Wallman can provide for a feature of handling the voting rights does not show how such a feature would be incorporated advantageously in claim 1 in combination with the teachings of all of the other cited references. Thus, there is no motivation to combine the references.

**OBSERVATIONS APPLICABLE TO ALL THE GROUNDS OF REJECTION**

The presently claimed invention provides the advantage of enabling an administrator to purchase securities in the open market and, then, by dividing rights presented by shares of the securities, to establish markets in fractional shares that differ in the package of rights contained in the respective fractional shares. The subject matter is statutory in the sense that elements of the claims deal with subject matter that has been found to be statutory in patents issued prior to Bilski, and in that the process of the claims transforms a particular article, herein a security, into a different state or thing as required by Bilski. The subject matter of the claims is not obvious over the cited art because the cited art, considered in combination, shows one how to perform methodologies similar to various elements of the claims, but fails to show the complete structure or a suggestion thereof in each of the independent claims, as well as in the dependent claims.

Therefore, it is believed that grounds upon which the examiner relies do not support the rejections, and the rejection should be withdrawn for allowance of the claims.

## CONCLUSION

Accordingly, it is urged that the arguments presented herein have overcome the grounds of rejection to show the presence of allowable subject matter in the claims. It is requested respectfully that the BOARD OF PATENT APPEALS AND INTERFERENCES reconsiders the foregoing grounds of rejection under 35 U.S.C. 101 and 103, and finds the present claims to be allowable.

The appendix of claims is attached hereto.

Respectfully submitted,

A handwritten signature in cursive script, reading "David M. Warren".

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## VIII. CLAIMS APPENDIX

The texts of the claims involved in the appeal are:

1. (Rejected) A method for managing the assets of holders of rights in a property, comprising the steps of:

acquiring shares of ownership in a property represented by a security and issued by a business enterprise, the shares of ownership being acquired by an administrator, wherein each of the shares constitutes a set of rights, wherein an individual one of the rights in the set of rights is a different kind of right from another one of the rights in the set of rights, there being at least two different kinds of rights in the set of rights, said individual right comprising at least one of an equity right, a non-equity right, a right to receive a dividend or portion of the dividend, a right to receive an interest payment or portion thereof, a right to receive rent, a right to real property, a right to a warrant, a right to a stock split, a right to conversion between classes of securities, a residual right, a voting right, a right to receive capital appreciation, and wherein one or more of said rights may have a time limitation;

dividing the set of rights into portions by the administrator, each of the portions having at least one of the rights, wherein a kind of right that is present in a first of the portions is absent in a second of the portions; and

establishing a market in the portions by the administrator, wherein in said market, there is a selling of the portions to investors and a repurchasing of the portions from the investors, said repurchasing enabling a holder of one of said portions to regain a divided-out right from one of said investors.

2. (Rejected) A method according to claim 1, wherein in said dividing step, at least one of the portions is an equity portion with an equity right and at least another one of the portions is a non-equity portion with a non-equity right that is stripped off from an equity portion, and wherein said repurchasing enables a holder of an equity portion to regain a non-equity right from one of said investors.

3. (Rejected) A method according to claim 2, wherein said dividing step includes a step of designating a limited duration of time of a fractional right in one of said portions.

4. (Rejected) A method according to claim 3 wherein said limited duration of time of a fractional right is in a non-equity portion.

5. (Rejected) A method according to claim 4 wherein the holder of the equity portion regains the non-equity right after expiry of said limited duration of time.

6. (Rejected) A method according to claim 1, wherein said dividing step includes a step of designating a limited duration of time of a fractional right in one of said portions.

7. (Rejected) A method according to claim 6 wherein the holder of said one portion regains the divided-out right after expiry of said limited duration of time.

8. (Cancelled)

9. (Rejected) A method according to claim 1, wherein the administrator accomplishes a further step of disbursing dividends from the property to such ones of the investors who have rights to receive a dividend.

10. (Rejected) A method according to claim 1, wherein the administrator accomplishes a further step of transmitting votes to a management of the property from such ones of the investors who have rights to vote on matters relating to management of the property.

11. (Rejected) A method according to claim 1, wherein each of said portions constitutes a fractional right of the set of rights in a share of ownership in the property, said dividing step includes a step of designating a limited duration of time of the

fractional rights in said portions sold to investors by the administrator, and said repurchasing step enables one of said investors, who is a holder of said one portion, to regain fractional rights from a plurality of said portions sold to other ones of said investors, thereby to obtain complete rights to the share of ownership of said holder.

12 (Rejected) A method for managing the assets of holders of rights in a property, comprising the steps of:

acquiring shares of ownership in a property represented by a security and issued by a business enterprise, the shares of ownership being acquired by an administrator, wherein each of the shares constitutes a set of rights, wherein an individual one of the rights in the set of rights is a different kind of right from another one of the rights in the set of rights, there being at least two different kinds of rights in the set of rights, said individual right comprising at least one of an equity right, a non-equity right, a right to receive a dividend or portion of the dividend, a right to receive an interest payment or portion thereof, a right to receive rent, a right to real property, a right to a warrant, a right to a stock split, a right to conversion between classes of securities, a residual right, a voting right, and a right to receive capital appreciation;

dividing the set of rights into portions by the administrator, each of the portions having at least one of the rights, wherein a kind of right that is present in a first of the portions is absent in a second of the portions; and

establishing a market in the portions by the administrator, wherein in said market, there is a selling of the portions to investors and a repurchasing of the portions from the investors.

END OF CLAIMS APPENDIX

**IX. EVIDENCE APPENDIX**

There is no evidence appendix.

**X. RELATED PROCEEDINGS APPENDIX**

There is no related proceedings appendix.

**XI CERTIFICATE OF SERVICE**

There is no certificate of service.